GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:230
ANSWERED ON:08.08.2006
FDI IN AGRICULTURE /PLANTATION SECTORS
Chakraborty Shri Ajay;Das Gupta Shri Gurudas

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government proposes to permit 100% FDI in agriculture and plantation sector;

(b) if so, the details thereof;

(c) whether some sections of the society have opposed the decision to allow 100% FDI in agriculture and plantation sector; and

(d) if so, the details thereof alongwith the reaction of the Government thereto?

Answer

THE MINISTER OF COMMERCE & INDUSTRY (SHRI KAMAL NATH)

(a) to (d): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (d) of Lok Sabha Starred Question No. 230 for answer on 8th August 2006, regarding FDi in Agriculture/ Plantation Sectors

(a) & (b) : FDI policy of the Government is incorporated in the Foreign Exchange Management (Transfer or Issue of Security by Persons Resident Outside India) Regulations, 2000 (FEMA Regulations) as amended from time to time. Schedule I to the FEMA Regulations list out the activities where FDI is permitted and activities where FDI is prohibited. Amendment to the FEMA Regulations dated 18th June 2003 showed Agriculture and Plantation in the list of prohibited activities for FDI and activities under this sector where FDI is permitted as exceptions. Based on the review of the FDI policy and procedures undertaken by the Government in January 2006, the following changes have been made in the policy for Agriculture and Plantations sector:

i) Since some of the activities in the Agriculture and Plantation Sector were already permitted for FDI from 2003 and 2002 respectively it no longer remained a prohibited sector. It was therefore, removed from the list of prohibited activities and the activities permitted in the Agriculture sector were indicated and brought under the sector specific policy for FDI, in the Annexure to Press Note 4 (2006) dated 10thFebruary,2006.

ii) FDI upto 100% was allowed in Aquaculture in addition to Floriculture, Horticulture, Development of Seeds, Animal Husbandry, Pisciculture and Cultivation of Vegetables & Mushrooms, under controlled conditions and services related to agro and allied sectors.

iii) The word "etc." appearing after the word 'Mushrooms' was removed, thereby restricting FDI to Cultivation of Vegetables & Mushrooms only.

(c) : Yes, Sir.

(d): The Government has since clarified, through issue of a Press Release and by informing the Reserve Bank of India , that the present / extant policy for FDI in Agriculture and Plantation sector is as under:

i) FDI upto 100% is permitted under the automatic route in the under-mentioned activities viz. Floriculture, Horticulture, Development of Seeds, Animal Husbandry, Pisciculture, Aqua-culture and Cultivation of Vegetables & Mushrooms, under controlled conditions and services related to agro and allied sectors.[Permitted vide amendment to FEMA Regulations dated 18th June,2003 and partially amended vide Press Note 4(2006) dated 10th February , 2006 , as given in reply to (a) & (b)]

ii) FDI upto 100% , with prior Government approval , is permitted in Tea plantation subject to the conditions of divestment of 26% equity of the company in favour of an Indian partner/ Indian public, within a period of five years; and prior approval of the State Government concerned in case of any future land use change.[Permitted vide Press Note 6 (2002) dated 5th July , 2002]

iii) Besides the above two, FDI is not allowed in any other Agriculture sector/activity.